

Message Text

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E.O. 11652: N/A

TAGS: EMIN, ETRD

SUBJECT: TIN - BOLIVIAN INTENTIONS TOWARD FIFTH INTERNATIONAL TIN AGREEMENT

REF: LA PAZ 3193 (NOTAL)

1. YOUR TIMELY REPORT ON GOB DECISION NOT TO SIGN FIFTH INTERNATIONAL TIN AGREEMENT (ITA) REFTEL) MUCH APPRECIATED. INFORMAL SOUNDINGS IN LONDON INDICATE REAL CONCERN AMONG BOTH CONSUMER AND PRODUCER MEMBERS OF THE ITA OVER GOB DECISION. BOLIVIAN MOTIVES ARE OBSCURE. IS THE ANNOUNCEMENT THAT THE GOB WILL NOT SIGN THE FIFTH

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ITA BY THE APRIL 30 DEADLINE SIMPLY A TACTICAL MOVE

DESIGNED TO STRENGTHEN THE BOLIVIAN HAND AT NEXT WEEK'S MEETING OF THE ITC AT WHICH EXPORT CONTROLS AND PERHAPS FLOOR AND CEILING PRICE LEVELS WILL BE DISCUSSED? DOES GOB DECISION REFLECT A BASIC DISSATISFACTION WITH THE PROVISIONS OF THE ITA? IF SO, DOES THE GOB HOPE TO FORCE A RENEGOTIATION OF THE FIFTH ITA DURING THE YEAR THE FOURTH ITA CAN BE EXTENDED IF THE FIFTH ITA FAILS TO GO INTO FORCE JULY 1 AS SCHEDULED?

2. THE GOB DECISION NOT TO SIGN THE AGREEMENT AT THIS TIME COULD CAUSE US SOME PROBLEMS SINCE WE HAVE ALREADY SIGNED THE FIFTH ITA BUT IT HAS NOT YET BEEN SENT TO THE

SENATE FOR ITS ADVICE AND CONSENT. HOWEVER, WE DO NOT AT THIS STAGE WISH TO TAKE ANY POSITION WITH THE GOB WITH REGARD TO ITS DECISION. IT WOULD BE HELPFUL TO HAVE A CLEAR UNDERSTANDING OF JUST WHAT GOB PROBLEMS AND INTENTIONS ARE WITH RESPECT TO THE FIFTH ITA. HENCE YOU SHOULD MAKE USE OF WHATEVER OPPORTUNITIES ARE AVAILABLE INCLUDING SEEKING AN INTERVIEW AT AN APPROPRIATE LEVEL TO CLARIFY MATTERS AS MUCH AS POSSIBLE

3. BEGIN FYI. FOR YOUR BACKGROUND, GOB FAILURE TO SIGN THE FIFTH ITA BEFORE JUNE 30 WILL PREVENT THE FIFTH ITA COMING INTO FORCE ON JULY 1. UNDER THE PROVISIONS OF THE AGREEMENT THE FOURTH ITA CAN BE EXTENDED AUTOMATICALLY FOR UP TO ONE YEAR IN EVENT THE FIFTH ITA FAILS TO COME INTO FORCE AS SCHEDULED.

4. GOB CONCERN WITH A POSSIBLE SELL-OUT OF THE TIN BUFFER STOCK TO BRING IT DOWN TO THE LEVEL OF 7,500 TONS REQUIRED AT THE START OF THE FIFTH AGREEMENT MAY REFLECT A MISUNDERSTANDING. AS WE UNDERSTAND IT WHATEVER HOLDINGS OF TIN AND CASH THE FOURTH ITA MIGHT HAVE WHEN IT GOES OUT OF EXISTENCE IN JUNE WOULD BE DISTRIBUTED PRO RATA TO THE CONTRIBUTORS. THE CONTRIBUTORS WOULD THEN MAKE THEIR CONTRIBUTIONS TO THE FIFTH AGREEMENT AS REQUIRED UNDER THE TERMS OF THE FIFTH AGREEMENT. IF THE CONTRIBUTORS, WHO FOR THE MOST PART ARE PRODUCERS, CHOOSE TO SELL OUT THE DIFFERENCE BETWEEN THE AMOUNT RECEIVED FROM THE FOURTH LIMITED OFFICIAL USE

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ITA AND THE CONTRIBUTION REQUIRED UNDER THE FIFTH ITA THE RESULT MIGHT BE A DAMPENING EFFECT ON PRICES. HOWEVER, IT WOULD NOT SEEM TO BE IN THEIR INTEREST TO DO SO FOR PRECISELY THIS REASON.

5. IT SEEMS LIKELY THAT U.S. ENTRY INTO THE FIFTH ITA WILL CONCENTRATE AND FOCUS VOTING POWER ON THE CONSUMER SIDE SOMEWHAT, THOUGH EVEN UNDER THE FOURTH ITA AGREEMENT

AMONG THE FOUR LARGEST CONSUMERS WAS SUFFICIENT TO BLOCK DECISIONS BY THE COUNCIL. AS YOUR CABLE POINTS OUT MALAYSIA AND ANY OTHER MAJOR PRODUCER HAVE LONG HELD AN EFFECTIVE VETO POWER ON THE PRODUCER SIDE. WHILE THE GOB CLAIMS TO BE DISSATISFIED WITH THE VETO ON EITHER SIDE IT DID NOT SEEM TOO DISSATISFIED IN THE PAST IN A SITUATION WHICH BOLIVIA AND MALAYSIA COULD, IN EFFECT, CONTROL THE PRODUCER VOTE. BECAUSE OF THE PECULIARITIES OF THE VOTING SYSTEM UNDER THE SEVERAL ITA'S IT HAS LONG BEEN THE HABIT TO REACH DECISIONS IN THE ITC BY CONSENSUS RATHER THAN BY VOTING. IT SEEMS DOUBTFUL THAT THE VOTING SYSTEM COULD BE RENEGOTIATED IN A MANNER ACCEPTABLE TO A MAJORITY OF BOTH PRODUCERS AND CONSUMERS. END FYI.

6. WE LOOK FORWARD TO THE RESULTS OF YOUR INQUIRIES.
7. REFTEL BEING REPEATED TO ALL ADDRESSEES OF THIS TELEGRAM WHICH DID NOT RECEIVE REFTEL. EMBASSY LA PAZ REQUESTED TO SEND ITS RESPONSE TO THIS TELEGRAM, AS WELL AS ANY SUBSEQUENT REPORTS, TO ALL ADDRESSEES. SISCO

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